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FISCAL IMPACT STATEMENT

LS 7401

BILL NUMBER: HB 1298

NOTE PREPARED: Feb 12, 2015

BILL AMENDED: Feb 12, 2015

SUBJECT: Political Subdivision Risk Management.

FIRST AUTHOR: Rep. Torr

FIRST SPONSOR:

BILL STATUS: CR Adopted - 1st House

FUNDS AFFECTED: X GENERAL
X DEDICATED
FEDERAL

IMPACT: State & Local

Summary of Legislation: (Amended) This bill has the following provisions:

- (1) Requires the Indiana Public Employer's Plan, Inc., (IPEP) which was established as a domestic nonprofit corporation, to apply for a certificate of authority to transact business as a domestic mutual insurance company.
- (2) Provides that, upon receiving the certificate of authority and beginning to transact business as a domestic mutual insurance company, the domestic mutual insurance company into which IPEP has transformed succeeds to all powers, duties, agreements, and liabilities of the former domestic nonprofit corporation.
- (3) Provides that, on January 1, 2016, (unless IPEP has failed to begin operating as a mutual insurance company under a certificate of authority issued by the insurance commissioner by that date) all powers, duties, agreements, and liabilities of the Political Subdivision Risk Management Commission are transferred to the domestic mutual insurance company into which IPEP has transformed.
- (4) Repeals the laws establishing the Political Subdivision Risk Management Commission, the Political Subdivision Risk Management Fund, and the Political Subdivision Catastrophic Liability Fund.
- (5) Requires the Auditor of State to transfer the balances of the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund to the domestic mutual insurance company into which IPEP has transformed.
- (6) Makes conforming amendments.

Effective Date: (Amended) July 1, 2015.

Explanation of State Expenditures: (Revised) *Summary:* If the responsibilities of the Political Subdivision Risk Management Commission are transferred to the Indiana Public Employer's Plan Corporation, state

General Fund expenditures could decrease by approximately \$12,000 per year.

(Revised) *Additional Information:* Under the bill, the Indiana Public Employer's Plan Corporation would be required to register as a domestic mutual insurance company. After this application has been completed, the responsibilities of the Political Subdivision Risk Management Commission would be transferred to the Indiana Public Employer's Plan Corporation.

As a result of the transfer, regulatory oversight of the Indiana Public Employer's Plan Corporation would be transferred from the Worker's Compensation Board to the DOI, and the Corporation would replace the Political Subdivision Risk Management Commission. Included in the transfer would be any assets or balances in the Political Subdivision Risk Management Fund and the Political Subdivision Catastrophic Liability Fund.

For FY 2014 the DOI reports the two funds collected a total of \$136,000 in revenue and had \$103,000 in expenses and has approximately \$9 M in reserves. There are currently three political subdivisions participating in programs funded by the Risk Management Fund and two political subdivisions participating in programs funded by the Catastrophic Liability Fund. The Political Subdivision Risk Management Commission received an annual appropriation of \$67,000 per year for FY 2014 and FY 2015, of which \$11,600 was expended during FY 2014 on operations.

The Indiana Political Subdivision Risk Management Commission provides insurance of last resort to Indiana cities, counties, and other political subdivisions. Political subdivisions that wish to purchase insurance from the Commission do so through a licensed insurance producer or directly from the Commission.

The Indiana Public Employer's Plan Corporation is an Indiana not-for-profit corporation that operates a self-funded group program for the purpose of assisting members in obtaining worker's compensation coverage and to develop comprehensive loss control programs. Membership in the Corporation is limited to political subdivisions and government entities of the state, of which there are approximately 700 active members. The Corporation is currently the largest provider of public entity workers' compensation in the state and provides coverage for as much as \$1 B in public employee wages.

Explanation of State Revenues: (Revised) If the Indiana Public Employer's Plan Corporation is required to register as a domestic mutual insurance company, the state could receive revenue from certificate of authority fees and insurance premium taxes collected from policies sold by the Corporation. It is assumed the \$136,000 in revenue collected by the Indiana Political Subdivision Risk Management Commission represents insurance premiums collected by the state from local political subdivisions, which could generate an additional \$1,800 in insurance premium tax revenue for the General Fund.

Revenue received from the certificate of authority fee (\$350) would be deposited in the DOI Fund.

Explanation of Local Expenditures: This bill could impact insurance premiums paid by local units of government. Any impact on local insurance premium expenditures will depend on insurance coverage costs for plans obtained through the Corporation as opposed to the Commission, if the transition plan is approved by the DOI.

Explanation of Local Revenues:

State Agencies Affected: DOI.

Local Agencies Affected: All.

Information Sources: HEA 1001 - 2013; Tyler Ann McGuffey, DOI; Patrick Downey, Indiana Public Employer's Plan, INC.

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